

OFFICE OF THE PROGRAM EXECUTIVE OFFICER (PEO), AVIATION

Fiscal Year (FY) 1997 Value Engineering (VE) Program Master Plan

1. **PURPOSE:** To establish an effective VE Program for the Office of the PEO, Aviation, to include its assigned Program/Project Managers (PMs) and their associated contractors.

2. **SCOPE:** The VE Master Plan for the Aviation PEO covers the VE goals for the following:

- a. Apache Attack Helicopter PM (SFAE-AV-AAH).
- b. Kiowa Warrior PM (SFAE-AV-ASH).
- c. Utility Helicopters PM (SFAE-AV-BH).
- d. Aviation Life Support Equipment PM (SFAE-AV-LSE).
- e. Aviation Electronic Combat PM (SFAE-AV-AEC).
- f. Comanche PM (SFAE-AV-RAH).

3. **VE REPORTING ELEMENT:**

Office of the Program Executive Officer, Aviation
ATTN: SFAE-AV-S
4300 Goodfellow Boulevard
St. Louis, MO 63120-1798

4. **VE COORDINATOR:**

Office of the Program Executive Officer, Aviation
ATTN: SFAE-AV-S (Mr. Marvin McMichael)
4300 Goodfellow Boulevard
St. Louis, MO 63120-1798

5. **PROJECT TITLE:** Aviation PEO assigned PMs and the hard dollar cost savings goals associated with those PMs are included as Enclosure 1. Enclosure 1 contains only the goal for savings expected through submission of Value Engineering Change Proposals (VECPs). There is no current goal for government employee submitted Value Engineering Proposals (VEPs). However, each employee is capable of presenting cost savings ideas, and it is the PEO's and PM's responsibility to encourage each employee to participate in the VE Program.

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6. PROGRAM MANAGER:

a. Implementation. In conjunction with the Aviation and Troop Command (ATCOM), the Aviation PEO will establish, maintain, and execute an active VE Program. The Aviation PEO shall exert every effort to ensure that the goals stated in the VE Master Plan are attained. Attainment of a VE goal is a joint PEO/PM/ATCOM contractor venture, with the Acquisition Center, ATCOM being a critical player in the implementation process and the ATCOM VE PM acting as advisor and providing functional support to the PEO by maintaining statistics and reporting to Army Materiel Command (AMC).

b. Motivational Activities. Motivational activities play an important part in promoting VE, both in-house and at contractor locations. Selling the program is perhaps the most difficult and important function. Consequently, it requires a dedicated effort from all individuals involved in the development and acquisition process. In fact, to achieve success in the VE Program, strong emphasis will be placed on motivational activities. Some proposed motivational activities which will be applied during the upcoming FY are:

(1) Contractors. The Aviation PEO and PMs will strongly encourage prime contractors to generate VECs through continued executive commitment. The benefits of VE will be disseminated to contractors during all Program Progress Reviews (PPRs) and Integrated Logistics Support Management Team (ILSMT) meetings. The status of all VECs, whether in-process or development or previously submitted and not yet approved, will be an item on each PPR agenda. The Aviation PEO and PMs will also assure contractor awareness of the VE Program by obtaining copies of contractor corporate VE policies and their annual plans relating to various weapon systems assigned to the Aviation PEO. All PMs will make their prime contractors aware of the availability of the VE requirements clause and will encourage its utilization. The Directorate for Engineering has some funding available for this effort.

(2) Government Personnel. With continued top level commitment to VE, the visibility of the VE Program will remain high as will the intensity of management. The evaluation of VECs will be controlled and expedited allowing a maximum of 60 days for technical evaluation and 160 days for subsequent contractual action. A VEP guide has been published describing the procedure that the Aviation PEO and ATCOM personnel will use to prepare VEPs for submissions.

(3) Government Sponsored Symposiums and Training. The Aviation PEO has cosponsored, and will continue to cosponsor with ATCOM, VE Symposiums. Both government and industry subject matter experts will gather to exchange ideas with a common goal of improving processes and procedures leading to overall cost reduction. VE

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will also be a topic of discussion at the Product Symposium. The PM personnel shall encourage their prime contractors and subcontractors to attend the symposiums. In coordination, with the Aviation PEO and ATCOM, VE PM has agreed to make VE training available; i.e., Executive Seminar, Contractual Aspects of Value Engineering (CAVE), Principals and Application of Value Engineering (PAVE), and joint government/industry VE workshops. It is the responsibility of the PM to communicate the availability of these services to his contractors and coordinate the need for any VE training of his PM staff with the Aviation PEO VE Coordinator.

c. **Early Communication.** The heart of restoring/establishing confidence in the VE Program is a quick response time from subcontractor submission to contractual incorporation. The key to establishment of a short turnaround time is early communication and timely procurement action. Prior to formal submittal of a VECP by a contractor, the following procedure must be followed:

(1) The contractor must explain the concept to the PM and obtain approval to pursue.

(2) The contractor will initiate further analysis and provide findings to the PM either formally or by a letter of intent. A copy of the findings should also be provided to the Administrative Contracting Officer for comment. The criteria used for determining whether formal or a letter of intent, is based strictly on the estimated amount of the savings. If total savings are estimated at \$100,000 or less, the letter of intent process is used:

(a) **Oral and/or Letter of Intent Process.** The contractor will submit oral and/or written information to the appropriate PM Configuration Control Manager to include, but not limited to estimated savings, cost of incorporation, weight impact, and reliability and maintainability issues. Letter of Intent VECPs will be no more than a few pages communicating the idea to the PM Configuration Control Officer who will immediately forward a copy of the VECP to the PM VECP Coordinator. The PM VECP Coordinator will disseminate the information to the appropriate personnel for review/action. Upon acknowledgment and acceptance, a VECP must be submitted through the formal process in accordance with the Federal Acquisition Regulation.

(b) **Formal Communication Process.** The process must be used if estimated savings exceed \$100,000. The contractor shall submit the type of information required under the oral/letter of intent process via a formal briefing. Participants/observers in the briefing will include: Aviation PEO, PM, Engineering, Maintenance, Materiel Management, and Procurement. Others, i.e., Resource Management can be invited at the PM's discretion.

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The results of this formal process will be to provide the contractor with instantaneous comments/concerns. Advice will also be provided which will assist the contractor in preparing a complete and accurate VECP.

d. **VE Contract Clauses.** Regulation requires incorporation of the VE incentive and requirement clauses in appropriate contracts. All contracts over \$100K require VE requirement clause be used unless justification for not using it is provided. The requirement clause can be used to enhance the VE Program and its use is encouraged as indicated in subparagraph 6b(1) above.

e. **VE Point of Contact (POC).** The Aviation PEO VE Coordinator is responsible for coordination of all VE activities within Aviation PEO. Each PM will provide to the VE Coordinator, a POC within their office who is responsible for encouraging and tracking VE for their program.

f. **Aviation PEO VE Coordinator.** The Aviation PEO's VE Coordinator shall:

(1) Request the VE Branch, Directorate for Engineering, ATCOM, representative to provide the "Center of VE Expertise" and functional support to the Aviation PEO.

(2) Increase awareness of available VE training.

(3) Expedite all Aviation PEO VECPs and VEPs.

(4) Ensure proper reporting of all Aviation PEO VE actions through the Value Engineering Management System (VEMS).

(5) Support the AMC VE/FCG and Electronics Industries Association Value Management Group by attending the functions of the professional organizational and speaking and/or participating in panels when necessary.

g. **VEMS.** The VEMS will be employed to track hard dollar cost savings. Once hard dollar cost savings have been identified, the Aviation PEO will reapply those funds to its highest priority unfinanced requirements.

h. **VE Projects.** The VE Projects will be identified, initiated, and monitored through completion. The Aviation PEO will request that the respective PMs submit VEP candidate

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projects for consideration on a recurring basis. A copy of any and all VECs will be submitted to the VE Coordinator immediately upon receipt.

i. **Funding.** The Aviation PEO and PM will ensure that VECs are funded or are deferred until funds are available. No proposed VEC will be accepted for technical evaluation or entered into VEMS unless funding for implementation is identified.

7. ACCOMPLISHMENTS/MAJOR STUDY CANDIDATES: Each PM VE POC is responsible for tracking progress against assigned goals as well as identification of major study candidates. The following Aviation PEO PM's have entered VE partnerships between the United States government and industry for parts/components: Kiowa Warrior PM and Bell Helicopter, Utility Helicopters PM and Sikorsky Aircraft, Apache Attack Helicopter PM and McDonnell Douglas Helicopter Systems. Accomplishments will be provided to the VE Coordinator. Individual PM VE activities will be consolidated and reported as necessary. The PM will provide, upon contractual incorporation of each VEC, nonreportable quantifiable savings expected during the life of the weapon system (after the allowable share period) and a written narrative explaining any nonquantifiable savings achieved as a result of VEC incorporation. The Aviation PEO VE Coordinator shall provide that information to the ATCOM VE PM or incorporation into the narrative section of the automated report.

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PAUL BOGOSIAN
Program Executive Officer, Aviation (Acting)

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<u>Program/Project Manager</u>	Goals		<u>Total</u>
	<u>VEP/VECP (K)</u>		
Apache Attack Helicopter	48/	2,223	2,271
Kiowa Warrior	48/	2,996	3,044
Utility Helicopters	17/	3,285	3,302
Aviation Life Support Equipment	3/	102	105
Aviation Electronic Combat	5/	55	60
Comanche	<u>3/</u>	<u>0</u>	<u>3</u>
TOTAL AVIATION PEO GOALS:	124/	8,661	8,785